



St. John's Area Housing Market & Economy: Key Drivers of Demand, Current Conditions & Outlook

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Key Drivers of Local Housing Market



How did they do in 2018?

Employment +0.3%

Working age population +0.7%

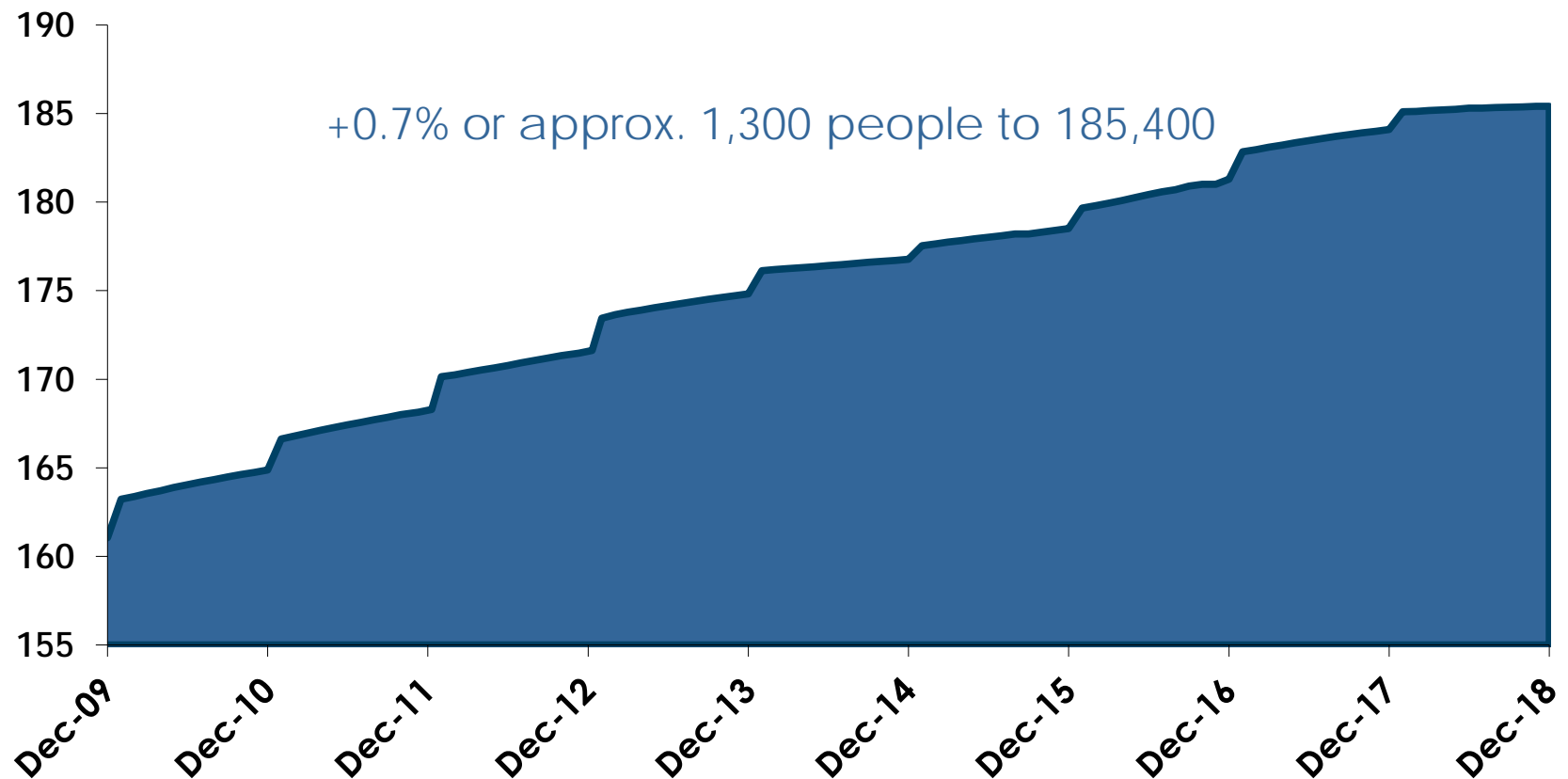


Average weekly earnings +2.8%



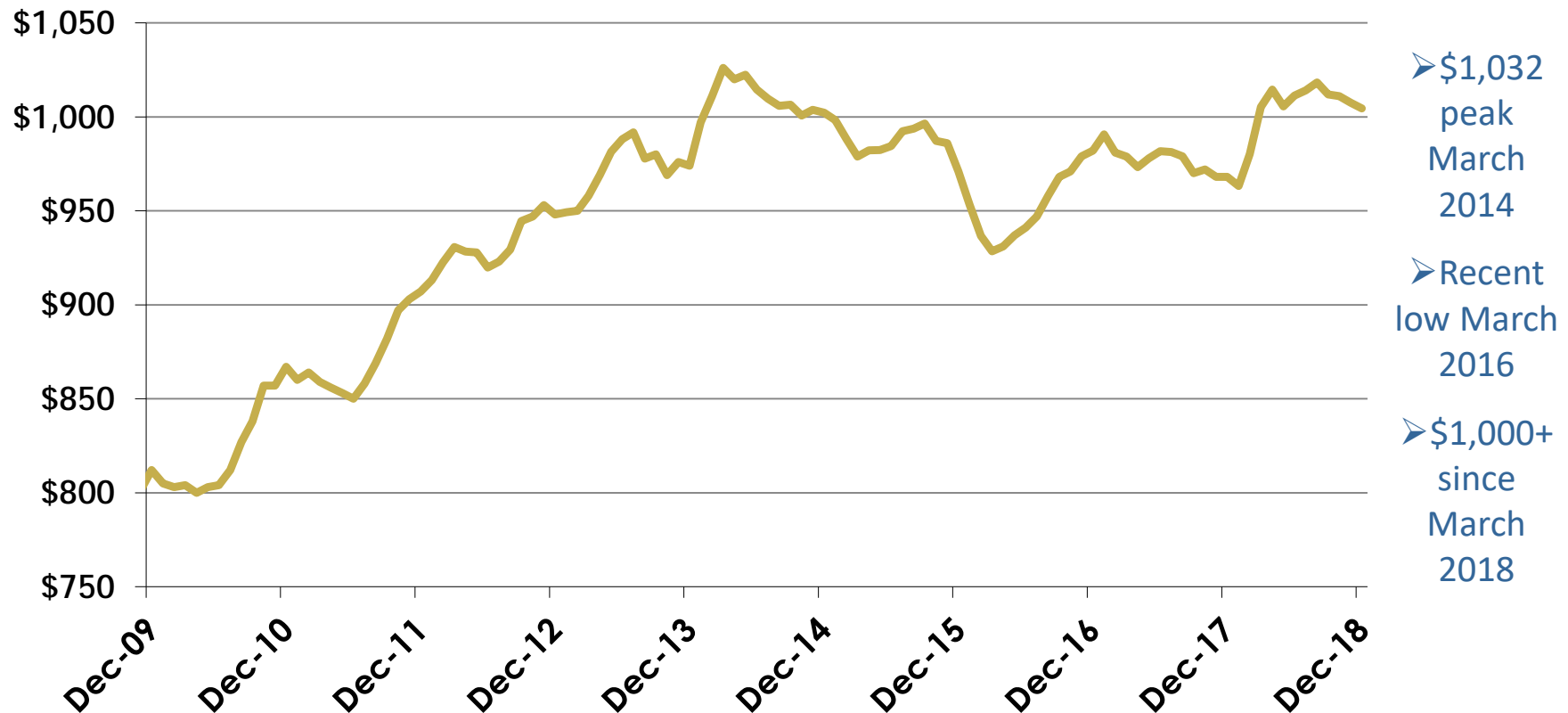
Positive working age population growth

Population, St. John's Area, Both Sexes, Age 15+ (000's)



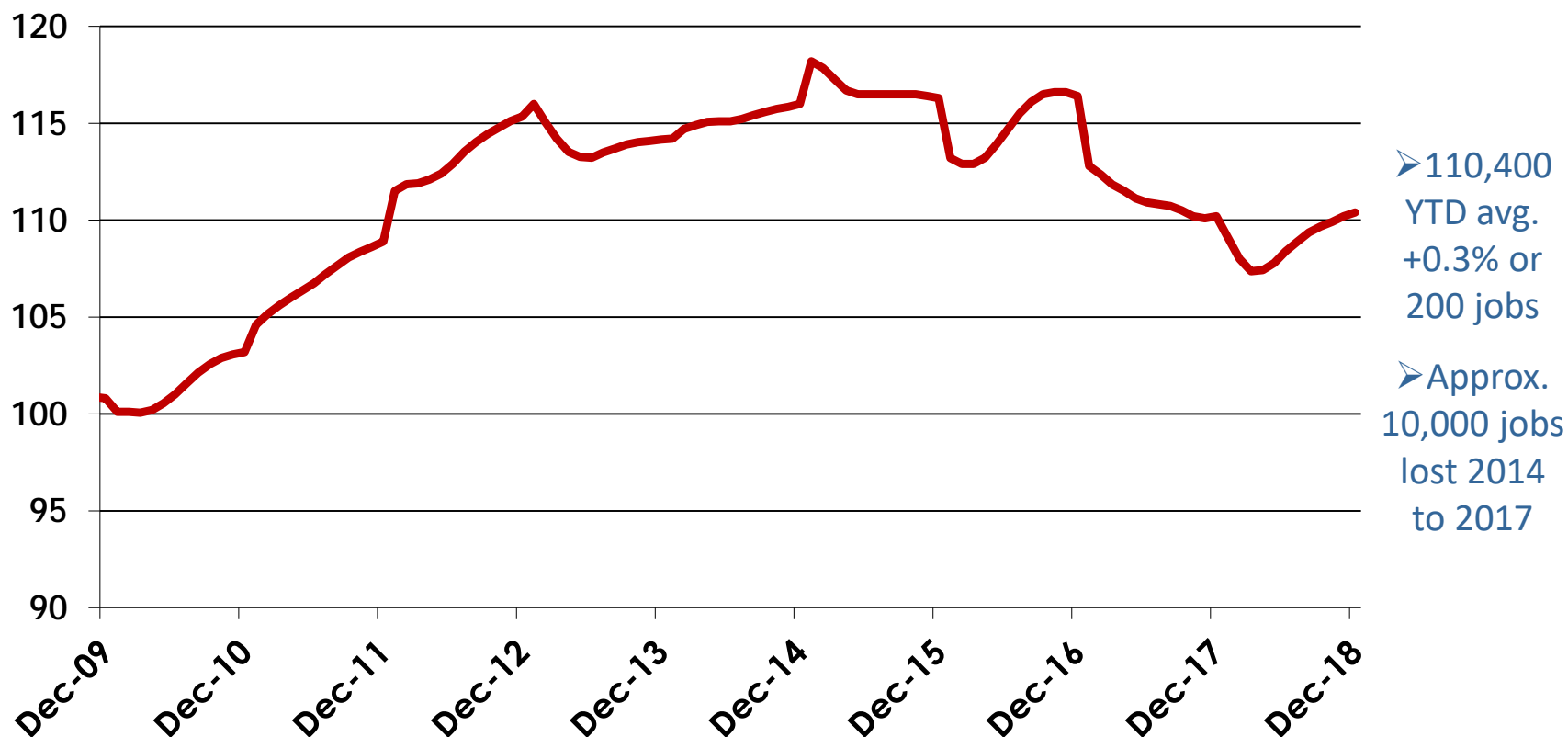
Avg. weekly earnings +2.8% to \$1,004 vs \$976

Average Weekly Earnings, All Industries, St. John's Area



St. John's area employment improving

Total Employment, age 15-64 years, St. John's Area (000's)



Key economic drivers impacted by oil prices

Post 2009 to 2014

Local economy
outperformed

Housing market
outperformed



Mid-2014 to Recently

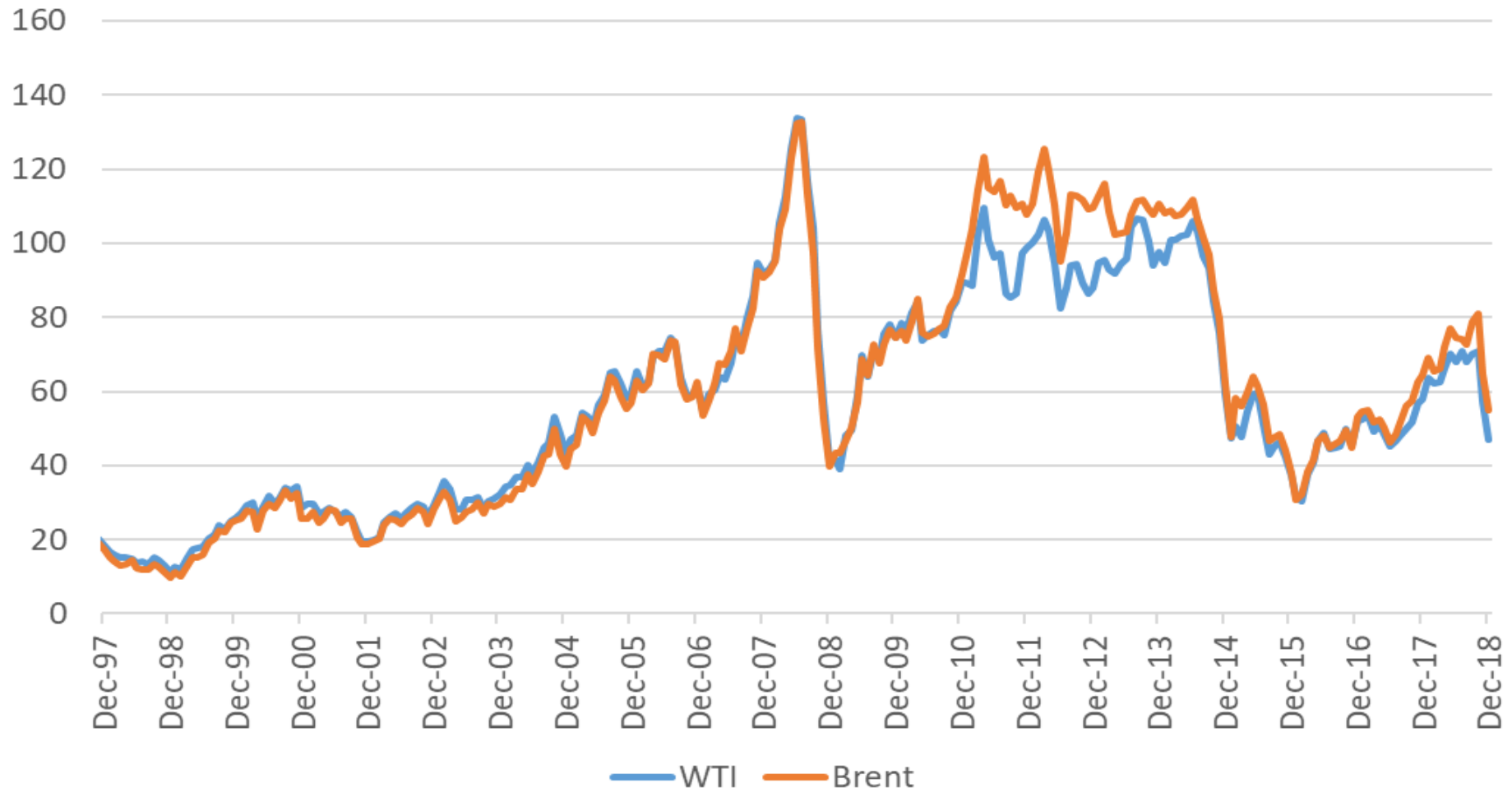
Local economy stumbled

Housing market stumbled



Oil under pressure again after Jan 2016 rebound

Historical Monthly Avg. Oil Prices (US \$)/bbl



Oil sector has transformed economy since 1997

Production (billion barrels)

1.7+

Value of Output (billion \$ CDN)

\$120+

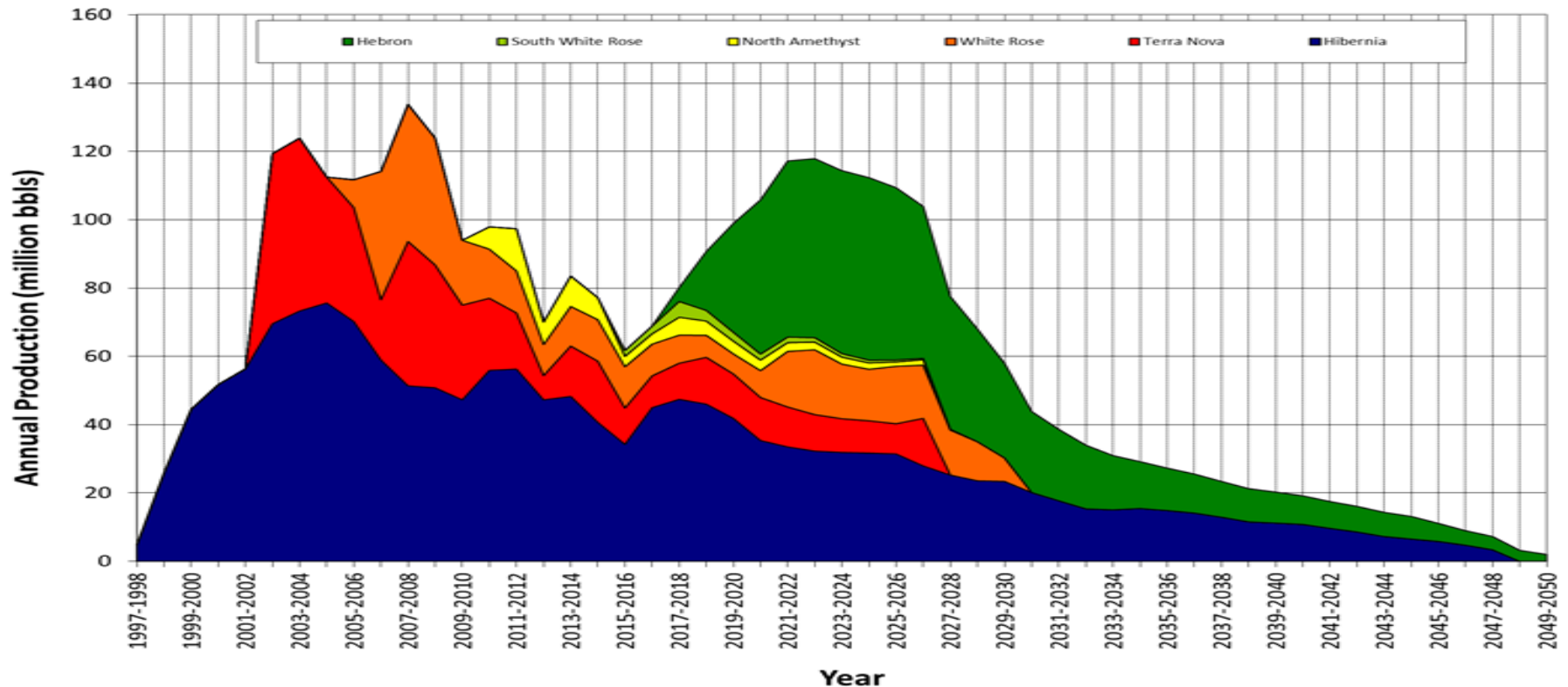
Cumulative Royalties (billion \$ CDN)

\$20+

Sector Investment (billion \$ CDN)

\$50+

**Newfoundland and Labrador Offshore Area
Production Forecast**



Economy – “the good, the bad and the ugly”

- Past, current & future projects generate wealth in NL:
 - 4 major producing oil fields: Hibernia, Terra Nova, White Rose & Hebron
 - Long Harbour; Muskrat Falls; Voisey's Bay underground expansion
 - White Rose West (GBS) - \$5B+ project; first oil 2022
 - Equinor's Bay du Nord – \$6.8B project; first oil 2025 if sanctioned in 2020
 - \$2.5+ billion in offshore exploration land lease bids since 2014
 - Recent “Raleigh” oil prospect (300sqkms - double Hibernia)
 - Total offshore area of 1.8 million sqkms remains largely untapped
- Economic & fiscal challenges remain in play:
 - Notable employment losses in 2017 (-6,200 jobs) in St. John's region
 - Economy hasn't grown - negative GDP growth – positive in 2019
 - Since 2012, NL govt. oil royalties down from approx. 40% revenue to 10%
 - Net debt per capita \$28K vs \$10k in 2014; Debt/GDP of 45%
 - Unsustainable fiscal model – highest revenues/expenditures per capita in Canada





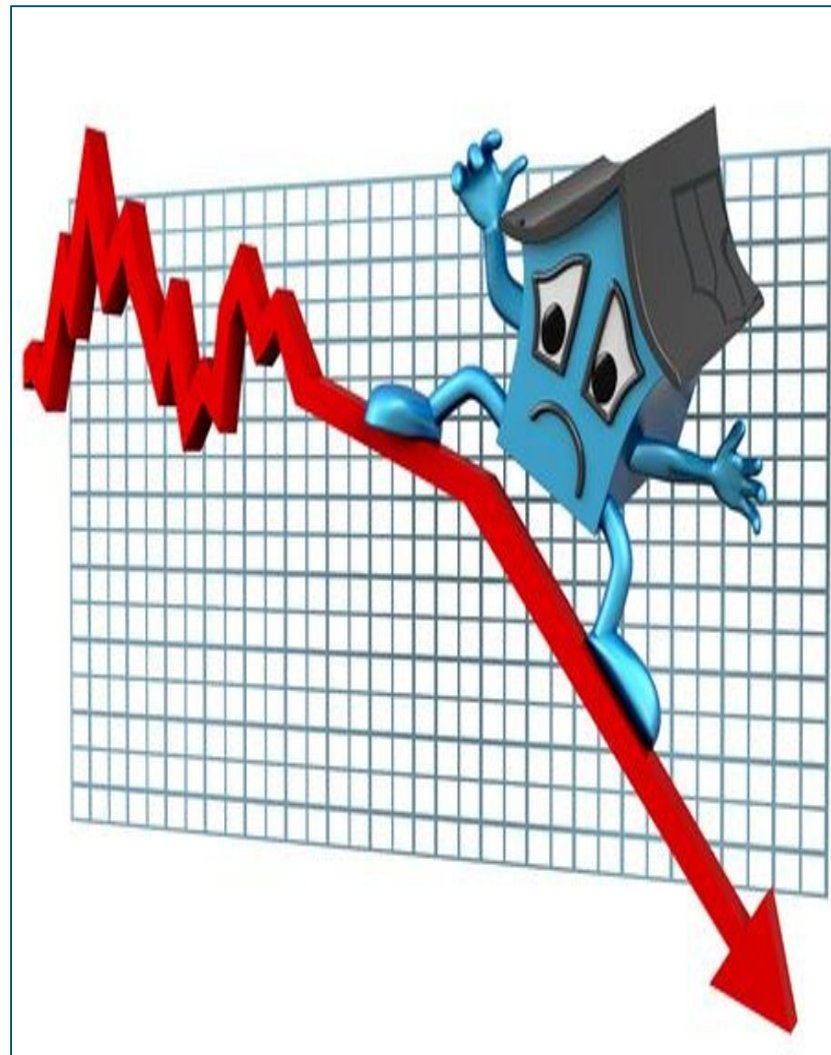
Housing Market - New Home Market



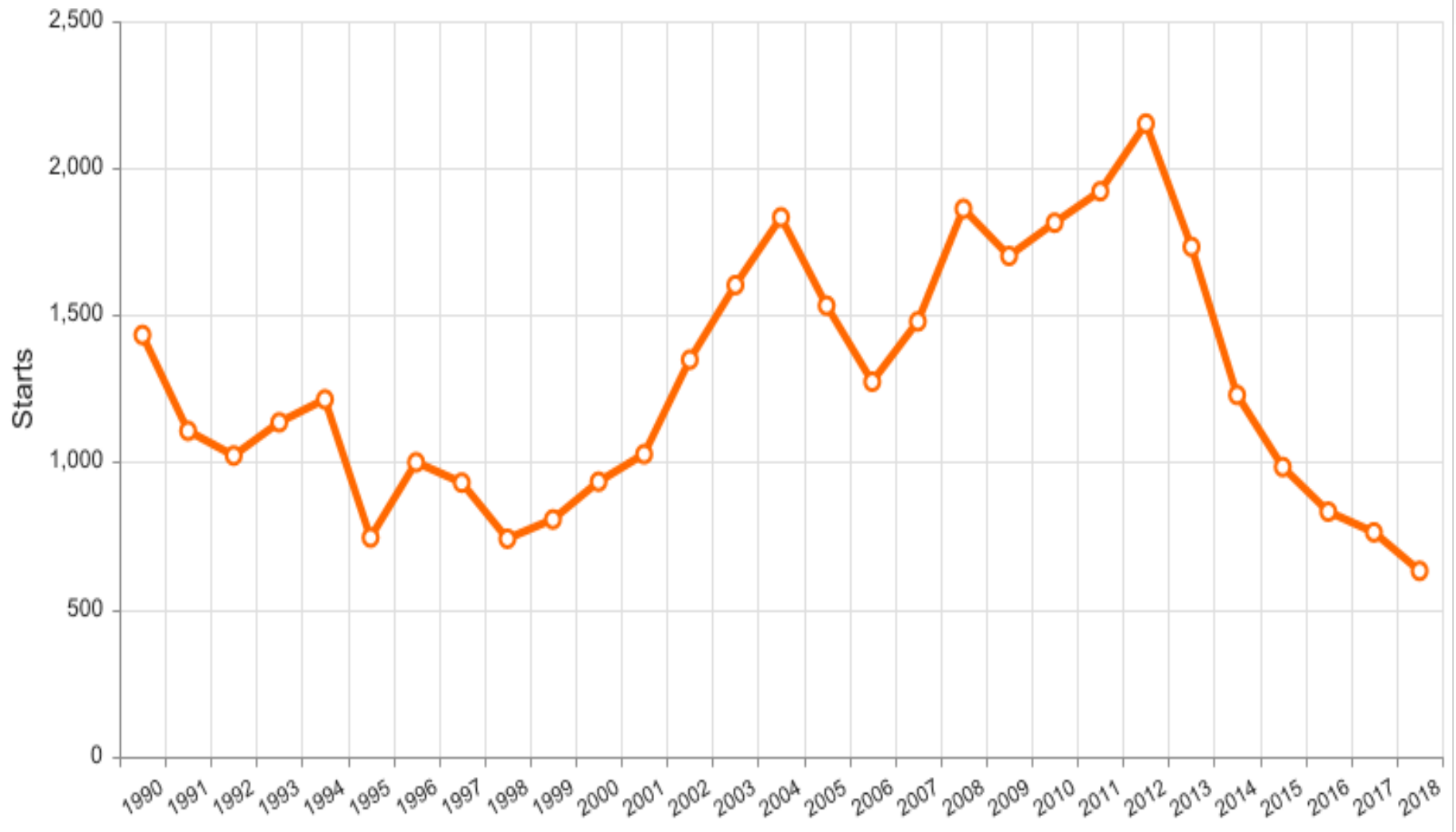
What are the new home market conditions?

“Still bit of a slippery slope.”

- Total housing starts down over 70% from 2012 peak of 2,153
 - -17% in 2018 to 632
 - Singles -12% (409); Multiples -25% (223)
- Single-detached house price lower
 - -3% in 2018 to \$394,678 vs \$407,745
- New homes are smaller/cheaper
 - More semi-detached & row houses driven by affordability needs

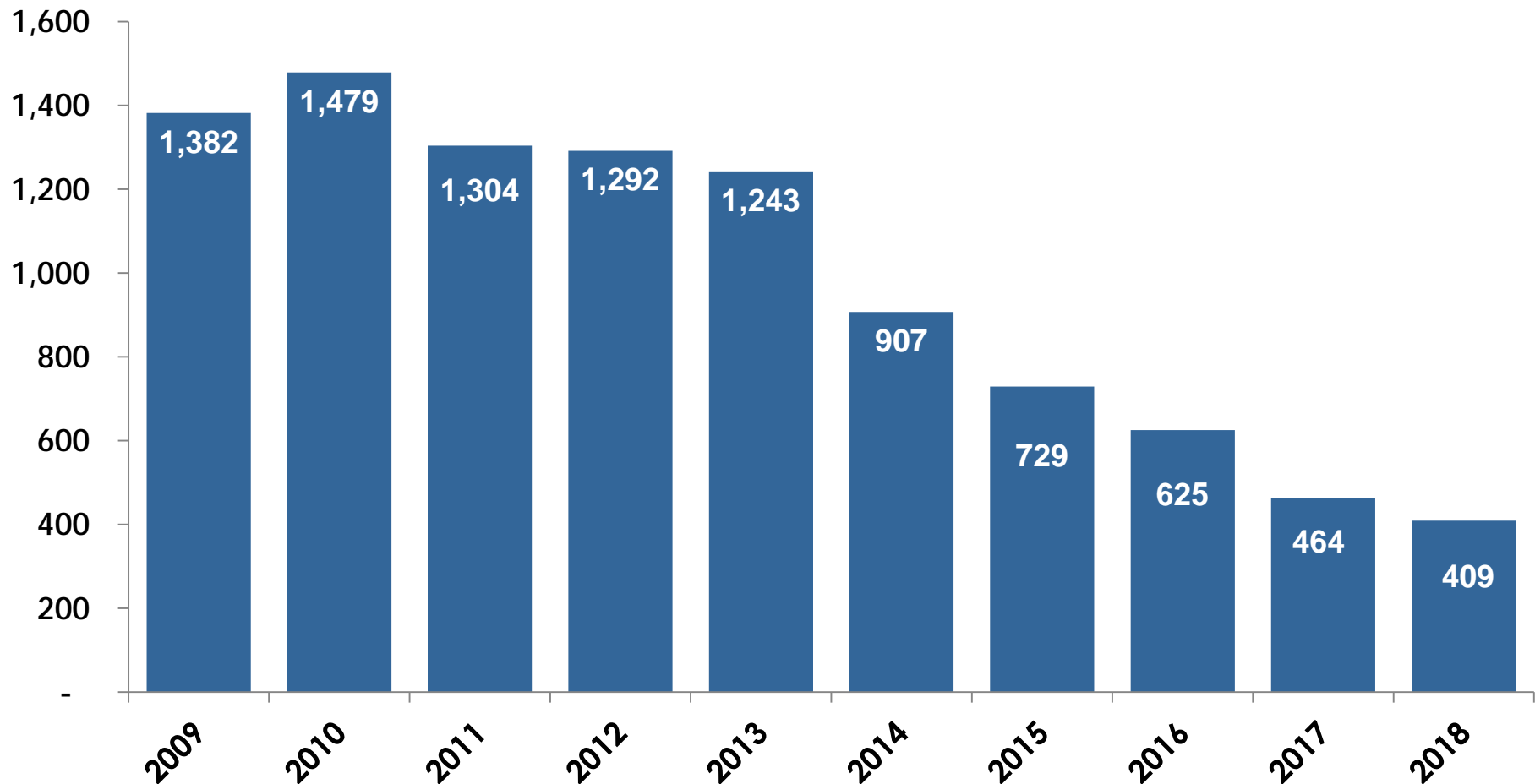


Total housing starts down over 70% from 2012 peak



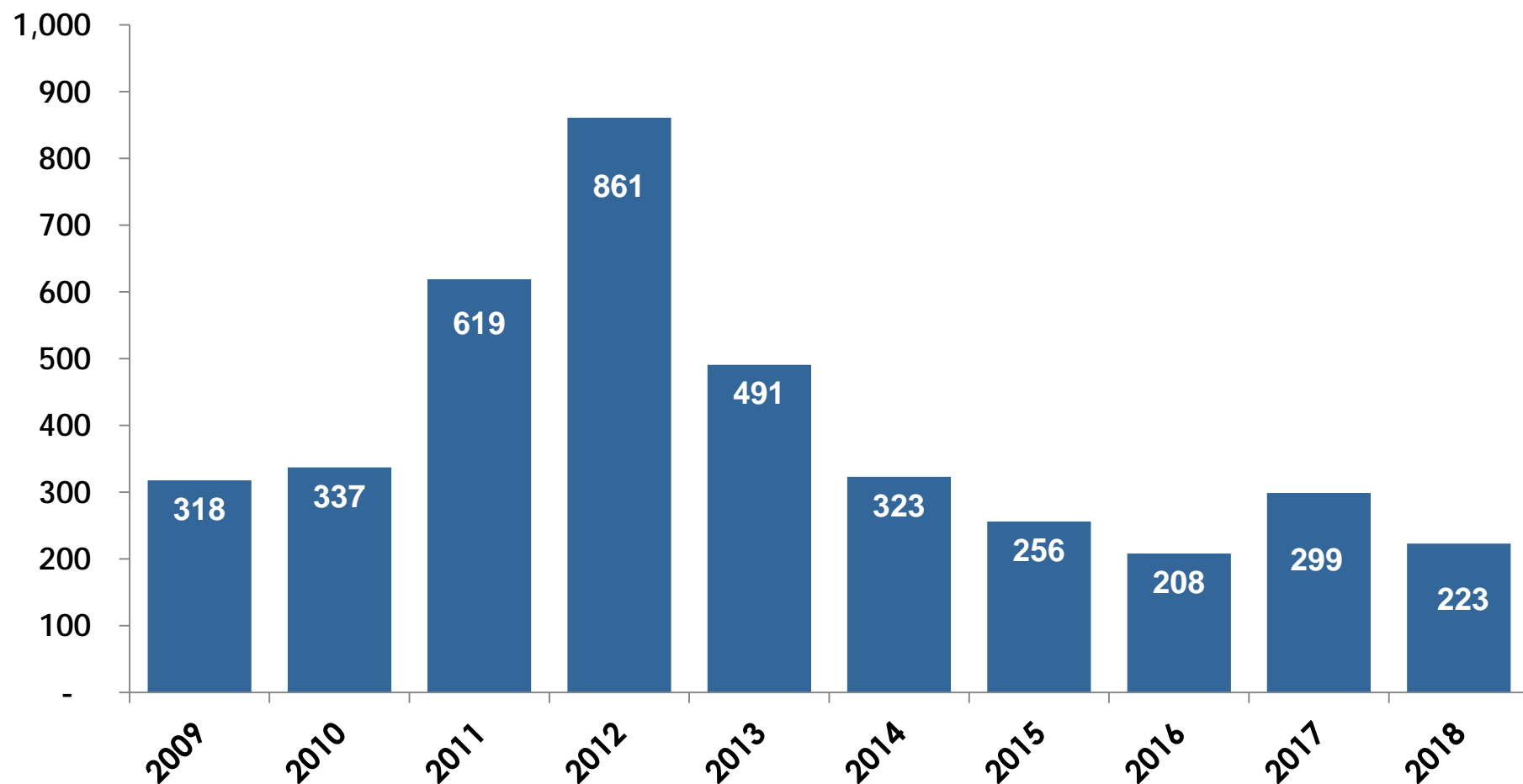
Single starts down considerably since 2013

Annual Single-Detached Starts, St. John's Area

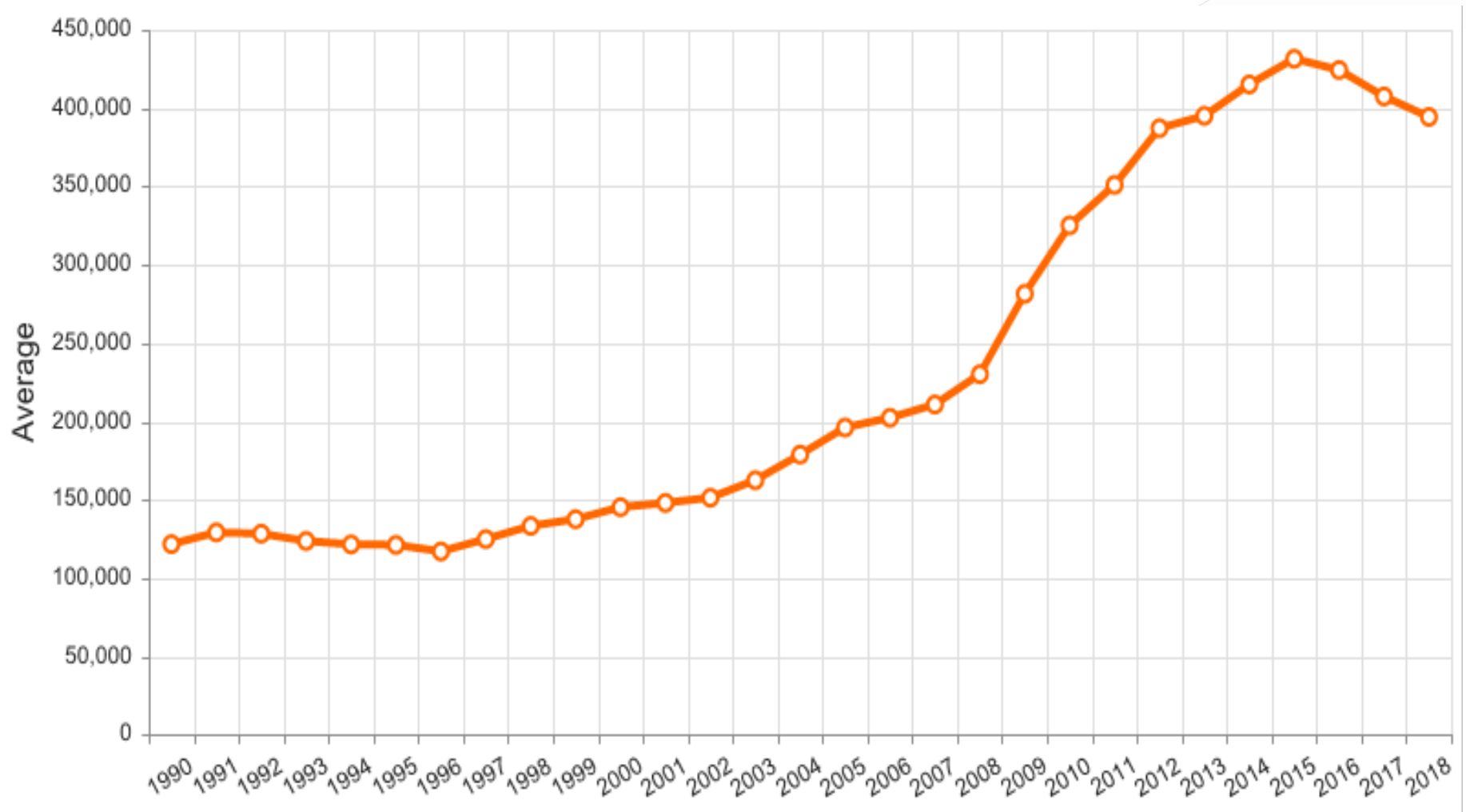


Multiple starts down considerably since 2012

Annual Multiple Starts, St. John's Area



St. John's avg. single-detached price -9% from peak



New home market outlook...

- Housing starts activity will be driven by demand factors
 - More affordable homes targeted at millennials & first-time buyers
 - Shift to lower-priced existing homes will impact housing starts activity
- Single-detached starts activity inline with fundamentals
 - Population, income & employment will remain key demand drivers
- Multiples driven by affordability & mortgage qualification
 - Lower-priced homes = higher demand for row, duplex & apartments
- Flat average prices due to lower-priced homes & economy





Housing Market - MLS® Residential Market



What are the MLS® market conditions?

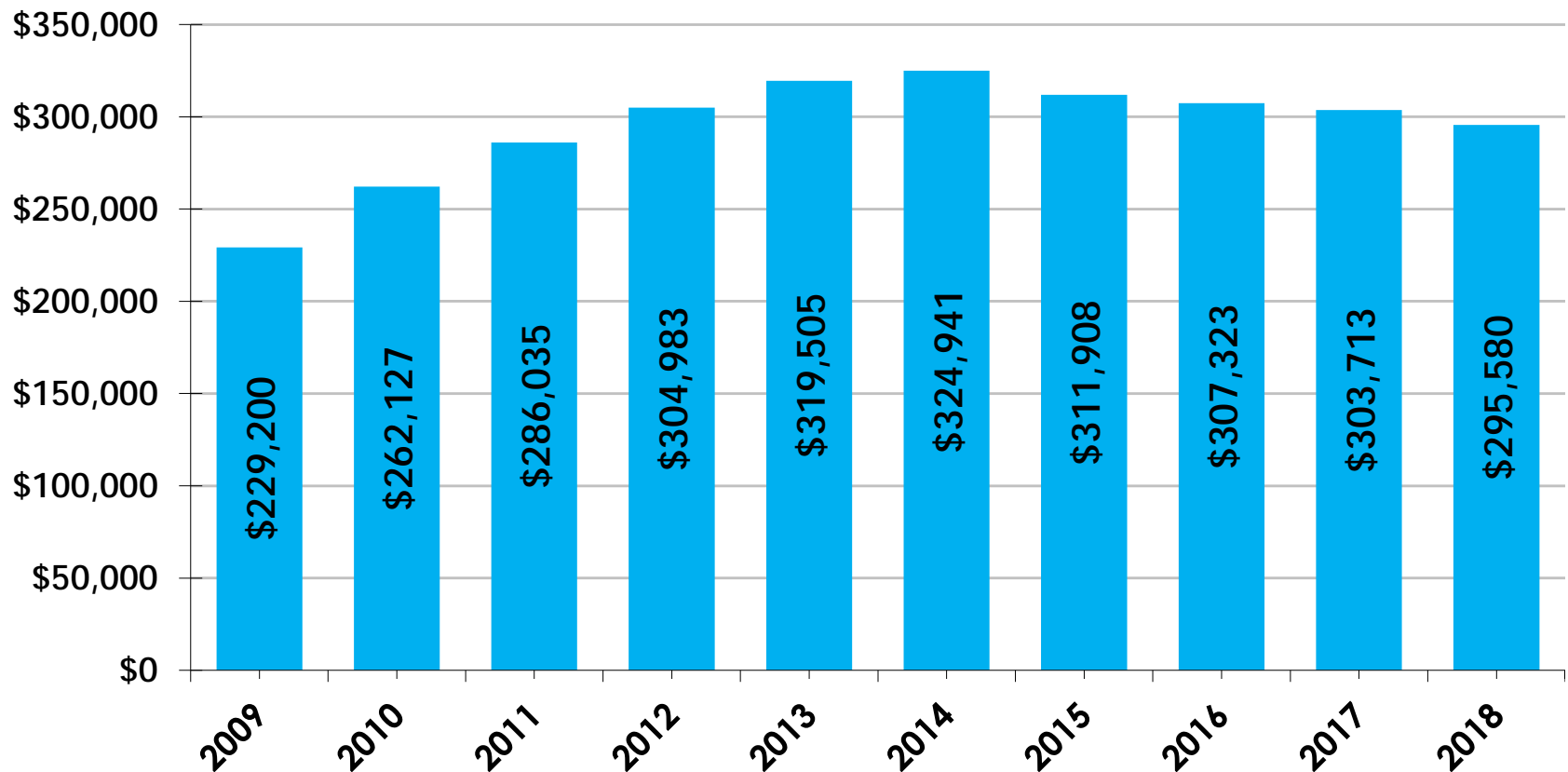
“Market is hanging in there.”

- Average price relatively stable
 - -2.7% in 2018 to \$295,580
- Sales & inventory mixed
 - Sales -5% in 2018 to 2,046
 - Listings +9.5% to 2,072 avg.
 - Sales-to-listings ratio of 8.2%
- 2018 was likely market bottom with uncertainty fading & support & some optimism slowly emerging



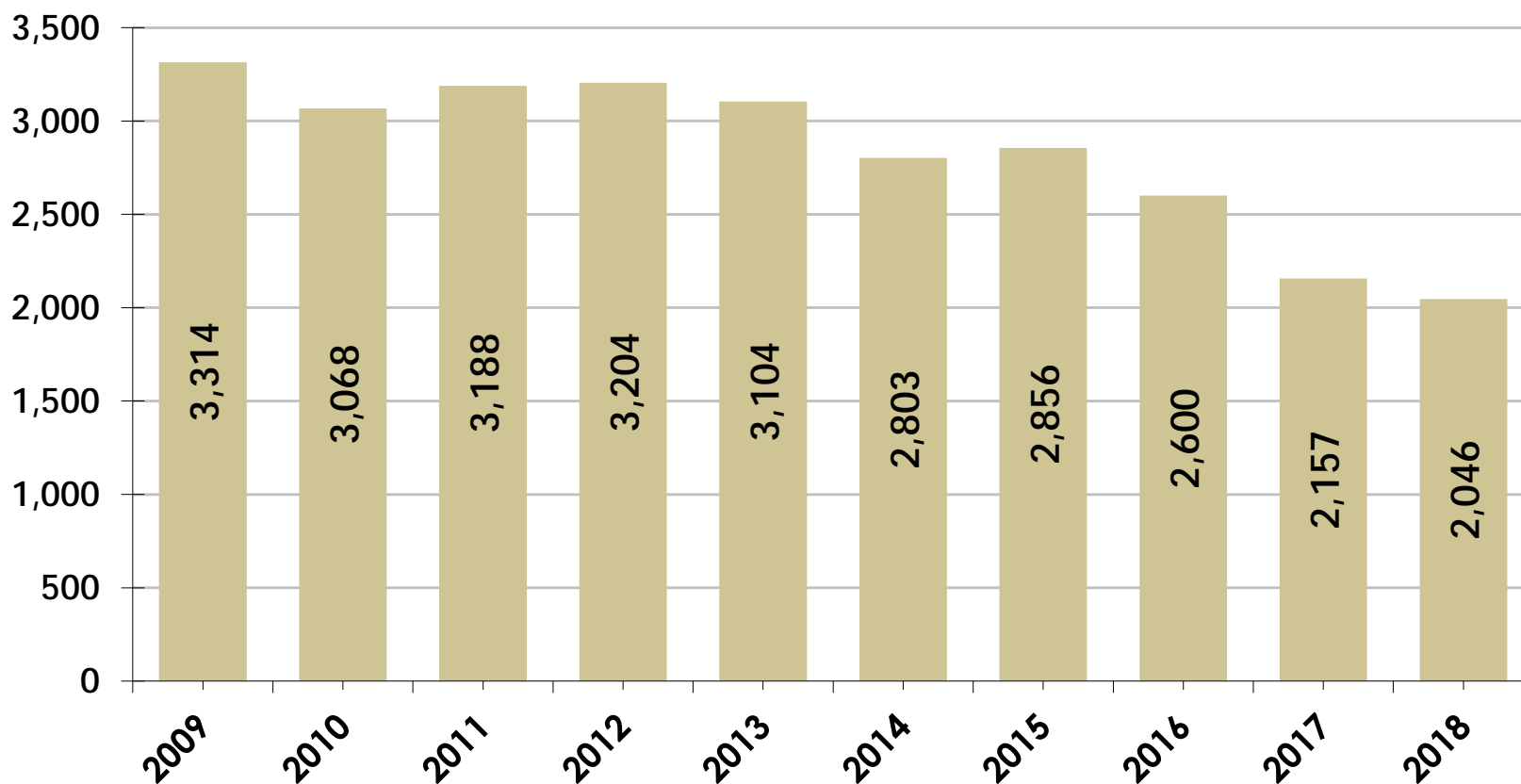
Avg. price below \$300K for first time since 2011

Average MLS® house price, St. John's Area



MLS® Sales declining since 2012

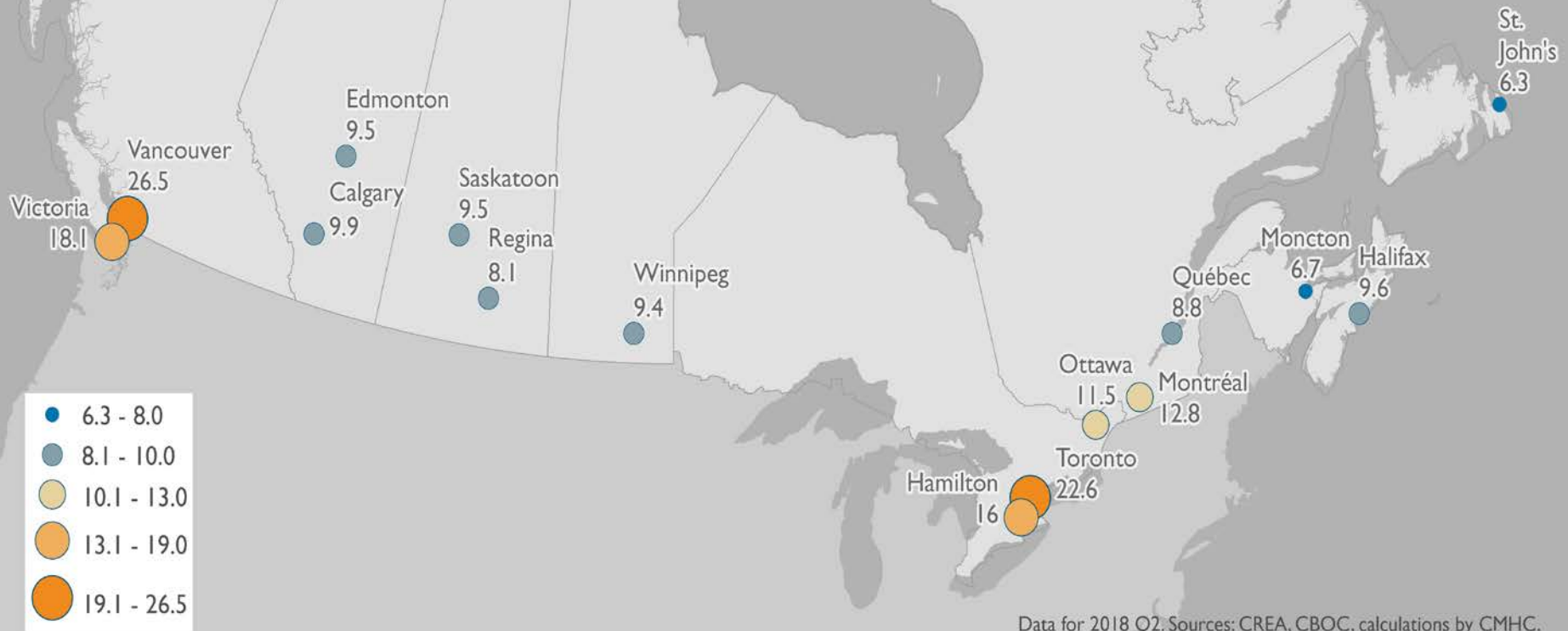
MLS® Sales, St. John's Area



St. John's has lowest home price to income ratio

Home Price to Income Ratio

Inflation-Adjusted MLS® Average House Prices / Inflation-Adjusted Personal Disposable Income



Data for 2018 Q2. Sources: CREA, CBOC, calculations by CMHC.



MLS® residential market outlook...

- Sales will be flat-to-higher in line with improving economy
 - Homeowners remain in homes unless forced to sell = less sales activity
 - Renovation growth (+100% since 2012) = higher quality resale homes
- After recent “correction”/decline prices to remain stable
 - Mixed key driver growth = flat demand = Lack of price growth stimulus
- “Buyers” market classification will continue
 - Ample supply of listings/inventory paired with fewer sales favours buyers
- Higher mortgage rates & qualification rules pressure buyers





Housing Market - Rental Market



St. John's rental apartment market overview 2018

3,926

- Total rental apartment universe

6.3%

- Overall vacancy rate

\$961

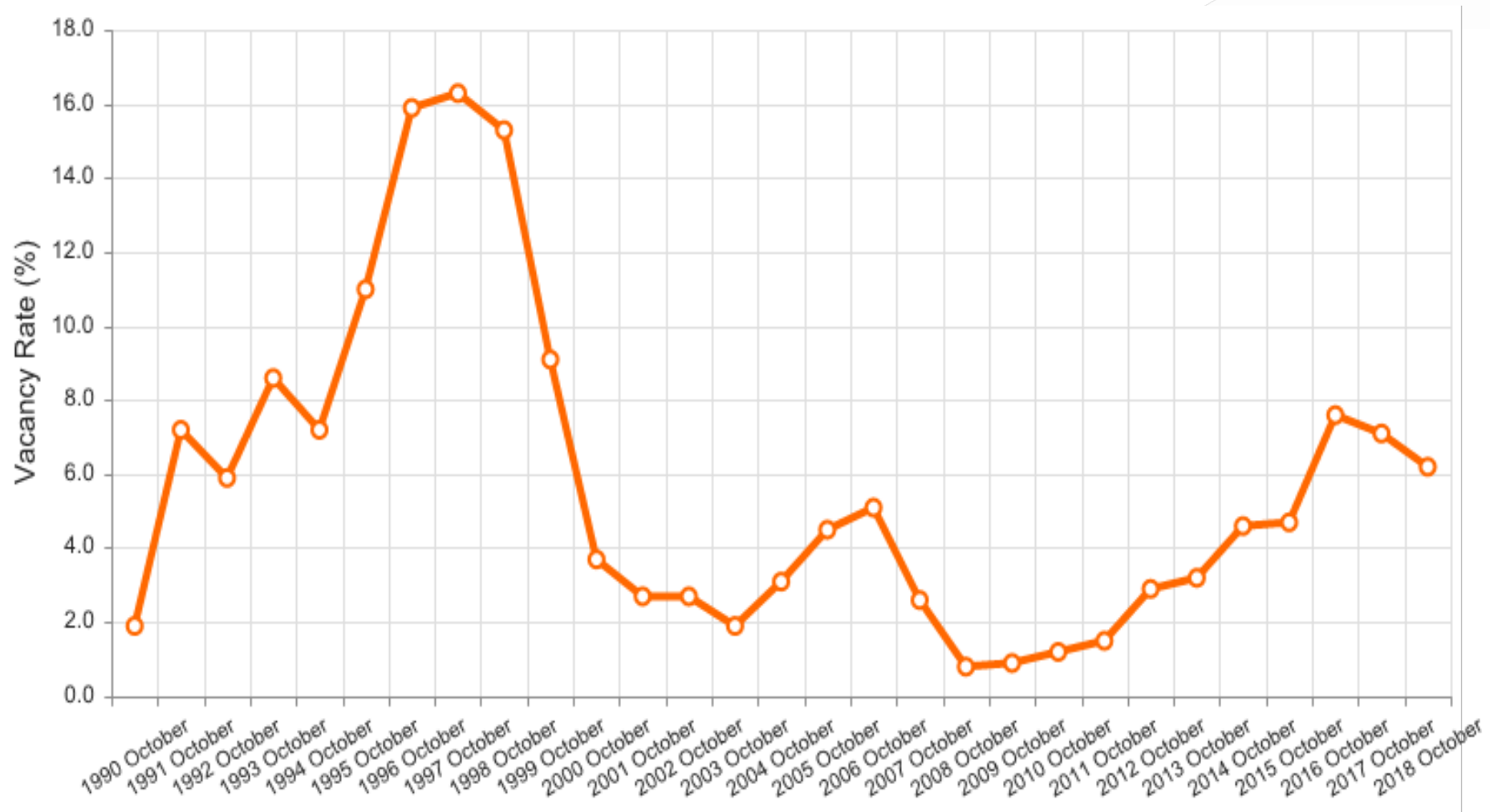
- Average 2 bedroom rent

1.5%

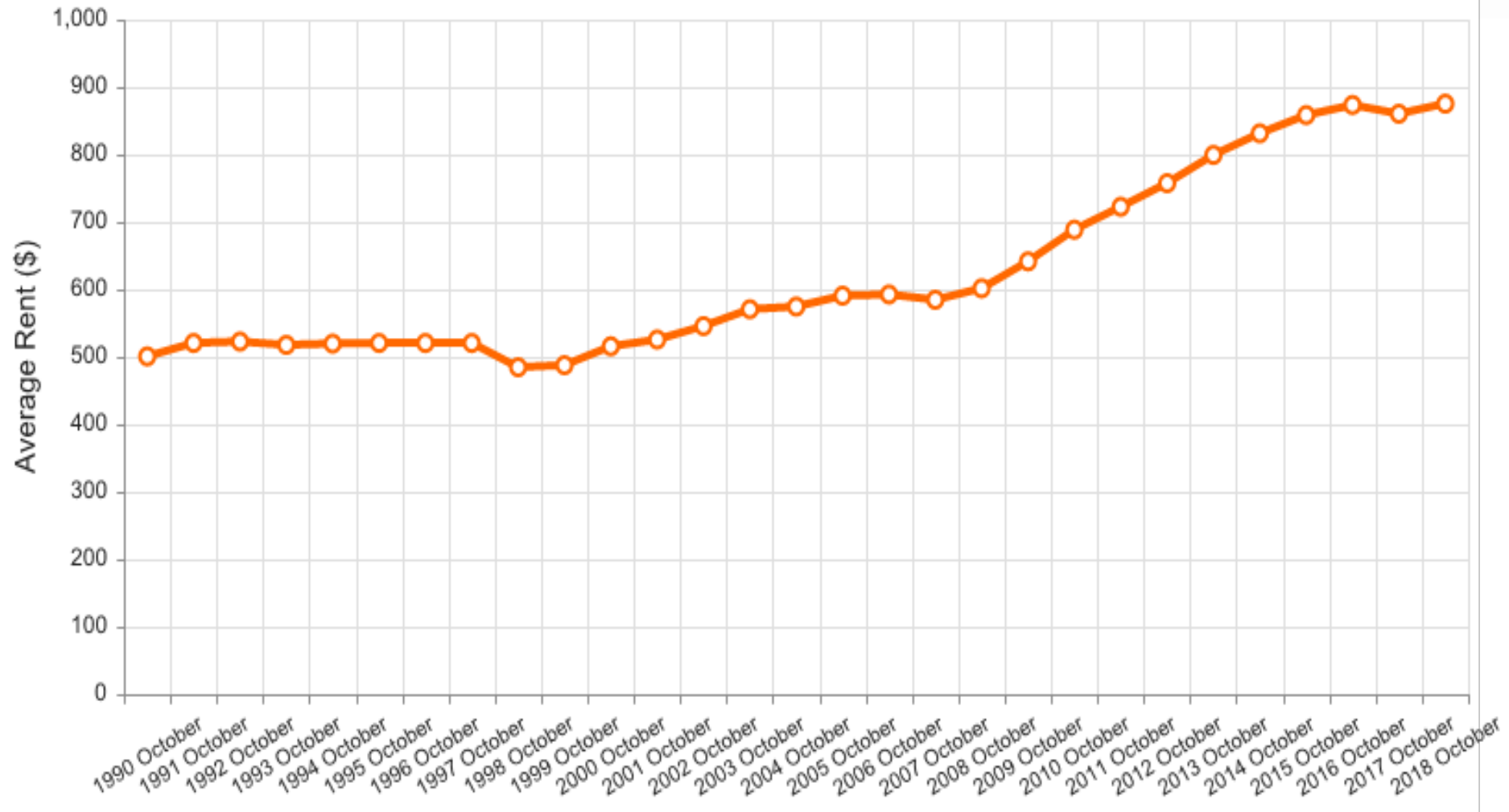
- Change in average rent



St. John's historical total vacancy rate



St. John's historical average total rent



Rental market outlook...

- Rents will be flat-to-higher in line with improving economy
- After recent jump, vacancy rates will continue to decline
- Ageing population supports new condo-quality apartments
 - No condo fees/taxes; Building amenities & underground parking imp.
- Affordability & increased difficulty for younger households to transition to homeownership will support demand for rental



Thank you!



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